

THE FY 2008 BUDGET MANAGEMENT PLAN

STATE AGENCY BUDGET SAVINGS OVERVIEW

INTRODUCTION

In September 2007, Governor Napolitano directed the Office of Strategic Planning and Budgeting to develop a Budget Management Plan for FY 2008 so that the budget would remain in balance. Five key policies served as guidelines for producing the Plan.

1. The integral functions of State government must not be compromised and our commitment to efficiency and excellence must be maintained.
2. Recommended spending reductions will be on an agency-by-agency basis, not across-the-board.
3. The Arizona education system – including KI-12 and higher education programs – are exempt from spending reductions.
4. Other programs and services affecting Arizona's children and vulnerable adults will be exempt from spending reductions.
5. Appropriate application of previously used and accepted budgetary practices will be employed.

OVERVIEW

The Budget Management Plan as developed in September included three elements: K-12 Capital Financing (\$300 million), use of the Rainy Day Fund (\$200 million), and State Agency Budget Savings (\$100). In order to identify the State Agency Budget Savings, each executive agency not otherwise exempted from reductions was provided with a reduction goal. These agencies developed their plans for achieving that goal. Agency Budget Savings amounts included spending reductions, spending reductions from fund balances and ex-appropriations of capital outlay and continuing appropriations. The plans were reviewed by OSPB and recommendations for State Agency Budget Savings were provided to the Governor. Adjustments to the Budget Savings Plans were made and reviewed with each executive agency. Those portions of the reductions that would be considered on-going reductions were also identified and were carried into FY 2009. The details of the State Agency Budget Savings portion of the Budget Management Plan are contained in the materials in this packet.

AGENCY BUDGET SAVINGS
State Agency Spending Reductions
Budget Management Plan

Dollars in Thousands

Arizona Department of Administration

The Executive recommendation is for a reduction of (\$1.5 million) which includes the following adjustments to the Department's FY 2008 appropriations- (\$1,484.8)
Ongoing Reductions: revert supreme court building redundant COP payment, eliminate Wesley Bolin Plaza winter lawn, agency-wide fund shifts, GAO payroll office fund shifts, and vacancy savings.

Arizona Health Care Cost Containment System

The Executive recommends a reduction of (\$3.9 million), which includes certain adjustments to the Department's FY 2008 appropriations. Ongoing reductions pertain to the elimination of 2-1-1 call center funding, the uncommitted Hospital Loan Residency Fund appropriation and claims computer system replacement, and reduction of the HealthCare Group subsidy and professional and outside services and equipment. (\$3,925.5)

Arizona Community Colleges

The Executive recommends an ex-appropriation in FY 2008 funding for the Executive Budget Management Plan. (\$1,000.0)

Department of Corrections

The Executive recommendation is for a reduction of \$19.4 million which includes the following adjustments to the Department's FY 2008 appropriations- (\$19,416.9)
Ongoing Reductions: reduce instate and eliminate out of state travel, change billing practice for food and special diets and discontinue tuitions assistance.
One-time Reductions: unused provisional beds in Indiana, delay provisional beds in Hinton, fund some of the basic education, community college contracts and inmate work program wages from the Special Services Fund.

Department of Economic Security

The Executive recommendation is for a reduction of \$6.5 million and includes the following adjustments to the Department's FY 2008 appropriations - (\$6,500.0)
Ongoing Reductions: Cash Assistance caseload reduction savings, General Assistance caseload reduction savings, and the utilization of the existing fund balance for the Community-Based Marriage and Communication Skills Program.
One-time Reduction: utilizing the existing fund balance for the Children's Autism Intensive Behavioral Treatment Services Program in FY 2008.

Department of Education

The Executive recommends an ex-appropriation in FY 2008 funding for the Executive Budget Management Plan. (\$4,900.0)

Department of Health Services

The Executive recommends a (\$5.2 million) General Fund reduction, which includes the following adjustments to the Department's FY 2008 appropriations. (\$5,200.0)

Ongoing spending reductions: funding for Institutions for Mental Disease due to an "in-lieu of services" agreement with the Center for Medicare and Medicaid Services, funding for the abstinence education program, funding for vaccines that will now be provided by county health departments using federal funding, and funding for administrative costs.

One-time reductions: funds from vacancy savings from the delayed hiring of behavioral health contract compliance monitors.

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Judiciary

The Executive has identified \$1.1 million in reductions in the Judiciary's budget for FY 2008. (\$1,146.3)
These adjustments include hiring deferments and the reduction of operating and travel expenses.

The Executive also recommends a reduction of (\$46,300) that was appropriated in FY 2008 for Juvenile Standard Probation to administer the Correctional Officer Retirement Plan.

Department of Public Safety

The Executive recommendation is for a reduction of \$3.6 million which includes the following adjustments to the Department's FY 2008 appropriations- (\$1,721.1)

Ongoing Reductions: reducing the amount of local immigration enforcement grants, delaying the expansion of arrestee DNA testing program, delaying GangNet enhancements, delaying the hiring of new detention transport officers, reducing the Public Safety Communications Commission operating budget, and delaying the hiring of new background investigator positions.

One-time Reductions: a transfer of vehicle impound and concealed carry weapons fees, a transfer from the Automated Fingerprint Identification System Fund, Fingerprint Clearance Card Fund, Licensing Fund Transfer and reducing the number of Highway Patrol vehicles replaced this year.

Department of Transportation

The Executive recommendation is a reduction of (\$2,000) to the General Fund base appropriation. (\$2.0)

ASU - Tempe

Phoenix Biomedical Campus - Schematic Design (\$5,250.0)

The FY 2008 budget included \$5.25 million to cover the costs of programming, conceptual and schematic design for the ABC 2 and Education buildings. The ABC 2 Building will house research programs of the UA College of Medicine-Phoenix, ASU Department of Biomedical Informatics, and other biomedical research programs from ASU units such as the Biodesign Institute and the College of Life Sciences. The Education Building will have classrooms and educational facilities, such as simulation laboratories, gross anatomy facilities, pre-clinical training, a learning resource center, student services, and faculty office administrative space.

The entire amount required to construct the buildings is addressed in the capital financing package proposed by the Executive apart from the FY 2009 General Fund recommendation.

ASU - West

School of Criminal Justice & Criminology (\$1,000.0)

Ex-appropriation in FY 2008 funding for the Executive Budget Management Plan.

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University of Arizona - Main Campus

Phoenix Bimedical Campus - Schematic Design (\$5,250.0)

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Office of Administrative Hearings

The Executive recommendation is for a reduction of \$4,500 which includes the following adjustments to the Department's FY 2008 appropriations- (\$4.5)
Ongoing Reductions: miscellaneous operating expenses reduction.

Arizona Department of Agriculture

The Executive recommendation is for a reduction of \$600,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$599.9)
Ongoing Reductions: deferred hiring in the Office of the Director, reduction in Animal Services overtime, and vacancy savings for Environmental Services and the State Laboratory
One-time Reductions: agricultural consultation and vacancy savings, and deferred hiring in Plant Services.

Arizona Commission on the Arts

The Executive Recommendation includes the following adjustments to the Commission's 2008 appropriation - (\$100.0)
Ongoing Reductions: Reductions grants for the Opening Doors Program.
One-time Reductions: Reductions in grants for the Opening Doors Program.

Attorney General - Department of Law

The Executive has identified \$500,000 in reductions in the Attorney General Office's budget. \$0.0

The Office is in need of a supplemental appropriation of \$500,000 in FY 2008 due to arbitration costs related to the Tobacco Master Settlement Agreement (MSA). The Original Participating Manufacturers have withheld payments in 2003 because they claim the State of Arizona did not "diligently enforce" the MSA. If the State is successful in arbitration, Arizona should receive the \$11.1 million in withheld funds from the 2003 MSA payment.

The Executive recommends that the \$500,000 identified for budget reductions instead be applied to the cost of arbitration related to the Tobacco MSA.

State Capital Post-Conviction Public Defender Office

The Executive recommendation is for a reduction of \$15,000 which includes the following adjustments to the Office's FY 2008 appropriations- (\$15.0)

Ongoing Reductions: reduce expert witness fees

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Department of Commerce

The Executive recommends a reduction of (\$500,000) that includes the following adjustments to the Department's FY 2008 appropriations: defer hiring, reduce operating expenses, and decrease transfer amounts to programs. (\$500.0)

Corporation Commission

The Executive recommendation is for a reduction of (\$175,700) which includes the following adjustments to the Department's FY 2008 appropriations- (\$175.7)
Ongoing Reductions: 3% lump sum reduction of elected officials.

Arizona Criminal Justice Commission

The Executive recommendation is for a reduction of \$100,000 which includes the following adjustments to the Commission's FY 2008 appropriations- (\$1,000.0)

Ongoing Reductions: reduce the awards and grants distributed through the Gang Prosecution Program

The Executive also recommends a reduction of (\$900,000) that was appropriated in FY 2008 for the Criminal Justice Information System.

Department of Emergency Services and Military Affairs

The Executive recommendation in FY 08 does not include any adjustments. However, the Department will not be taking the \$200,000 in Education Reimbursement for Guardsmen in FY 08 that they will be in FY 09. This was done because DEMA will be faced with a State Land Lease payment of \$193,000 which was not requested as a supplemental. (\$100.0)

Department of Environmental Quality

The Executive recommendation is for a reduction of (\$1.6 million) and consists of adjustments to the transfer amounts for the following programs: (\$1.0 million) adjustment to the Water Quality Assurance Revolving Fund and (\$600,000) to the Water Infrastructure Finance Authority. (\$1,600.0)

State Board of Equalization

The Executive recommendation is for a reduction of \$14,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$14.0)
Ongoing Reductions: reduction in miscellaneous operating expenses.

Board of Executive Clemency

The Executive recommendation is for a reduction of \$60,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$60.0)
Ongoing Reductions: Leave vacant two positions

State Department of Financial Institutions

The Executive recommendation is for a reduction of \$200,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$200.0)
Ongoing Reductions: reduction of membership dues in the Conference of State Bank supervisors, deferring hiring of a legal secretary, and waiting to add new examiners.

Department of Fire, Building and Life Safety

The Executive recommendation is for a reduction of \$300,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$300.0)
Ongoing Reductions: vacancy savings, operating savings, travel reductions
One-time Reductions: reduction in staff.

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Arizona Geological Survey

The Executive recommendation is for a reduction of \$60,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$60.0)
One-time Reductions: deferred hiring of a GIS specialist, using federal funds to subsidize outreach, and reducing the carry-forward amount for fissure mapping.

Government Information Technology Agency

The Executive recommendation is for a reduction of (\$100,000) which includes the following adjustments to the Department's FY 2008 appropriations- (\$100.0)
Ongoing Reductions: e-health initiative.

Office of the Governor

The Executive recommendation reflects a reduction of (\$225,000) to the base operating budget. (\$225.0)

Governor's Office of Strategic Planning and Budgeting

The Executive recommendation reflects a reduction of (\$69,400) to the base operating budget. (\$69.4)

Arizona Historical Society

The Executive Recommendation includes the following adjustments to the Department's 2008 appropriation - (\$80.0)
Ongoing Reductions: reduced grant funding
One-time Reductions: reduced overhead expenditure

Prescott Historical Society of Arizona

The Executive Recommendation includes the following adjustments to the Department's 2008 appropriation - (\$15.0)
Ongoing Reductions: reductions of salary expenses.
One-time Reductions: vacancy savings.

Arizona Commission of Indian Affairs

The Executive recommendation is a reduction of \$5,000 to the base operating budget in FY 2008. (\$5.0)
Ongoing Reductions:
The elimination of certain administrative expenditures.

One-time Reductions:
Delaying of hiring a new staff member for 15 days.

Department of Insurance

The Executive recommendation is for a reduction of \$19.0 million which includes the following adjustments to the Department's FY 2008 appropriations- (\$436.3)
Ongoing Reductions: Vacancy savings, staff reassignment, and a reduction in fraud protection services.
One-time Reductions: Deferred office expenditures and record imaging project.

State Land Department

The Executive recommendation is for a reduction of \$750,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$750.0)
Ongoing Reductions: reduction in CAP fees, redistribution of funding for NRCs, drawing out of major water adjudication lawsuits, delaying studies regarding ownership along the Colorado River, reducing legal services for streambed adjudication and other litigation, and the delay of major planning and engineering studies.

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Law Enforcement Merit System Council

The Executive recommendation is for a reduction of \$2,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$2.0)
Ongoing Reductions: the reduction of personal services and in-state travel expenditures.

Auditor General

The Executive Recommendation includes the following adjustments to the Department's 2008 appropriation - (\$563.0)
Ongoing Reductions: Reductions in staff and overhead expenses.
One-time Reductions: Reductions in expected equipment expenditures.

Department of Liquor Licenses and Control

The Executive recommendation is for a reduction of \$150,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$150.0)

Ongoing Reductions: hiring deferments

One-Time Reductions: vacancy savings for an Optical Disk Technician who is on extended medical leave

State Mine Inspector

In FY 2008, the Mine Inspector's Office was appropriated \$540,000 to fill five vacant positions. (\$17.0)
The Executive recommends the five positions work on the abandoned mines program to operate an abandoned mines inventory and closure program. In FY 2009, the Executive has recommended \$460,000 to close 23 high-risk mines.

The Executive also recommends a reduction of (\$17,000) that was appropriated in FY 2008 for a telephone system upgrade.

Department of Mines and Mineral Resources

The Executive recommendation is for a reduction of \$10,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$10.0)
Ongoing Reductions: reduction in other operating expenses.

Arizona Navigable Stream Adjudication Commission

The Executive recommendation is for a reduction of \$4,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$4.0)
Ongoing Reductions: deferral of payment for outside legal services.

State Parks Board

The Executive recommendation is for a reduction of \$345,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$345.0)
Ongoing Reductions: freezing expenditures from the Land Conservation Fund, agency-wide deferred hiring, lowered capital equipment spending, and the elimination of the Eastern Region Office AOOE.

Commission for Postsecondary Education

Postsecondary Education Grant Program (\$5,000.0)

Ex-appropriation for FY 2008 funding for FY 2008 Executive Budget Management Plan.

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Arizona Department of Racing

The Executive recommendation is for a reduction of \$150,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$150.0)

Ongoing Reductions: defer hiring for vacant positions, reduce racehorse drug testing, reduce greyhound drug testing, defer equipment purchases, reduce in-state travel expenses, reduce operating expenses, and limit commissioners out-of-state/conference travel.

Radiation Regulatory Agency

The Executive recommendation is for a reduction of \$80,000 which includes the following adjustments to the Department's FY 2008 appropriations- (\$80.0)

Ongoing Reductions: deferral of equipment purchases, and curtailment of all in-state travel.

One-time Reductions: reductions in other operating expenses.

Department of Real Estate

The Executive recommendation is for a reduction of \$230,800 which includes the following adjustments to the Department's FY 2008 appropriations- (\$230.8)

Ongoing Reductions: defer office supply and service contracts, travel restrictions, and vacancy savings.

One-time reductions: defer equipment replacements.

Department of Revenue

The Executive recommendation is for a reduction of (\$2.4 million) consisting of a decrease of (\$850,000) to the appropriation for Small City Grant and (\$1.5 million) achieved through vacancy savings and deferred hiring. (\$2,393.3)

Department of State - Secretary of State

The Executive Recommendation includes the following adjustments to the Department's 2008 appropriation - (\$212.0)

Ongoing Reductions: reductions in overhead expenses.

One-time Reductions: reductions in travel, overhead costs, and vacancy savings.

State Board of Tax Appeals

The Executive recommendation reflects a reduction of (\$6,300) to the base operating budget. (\$6.3)

Arizona Office of Tourism

The Executive recommendation reflects a reduction of (\$1.0 million) to the base operating budget. (\$1,000.0)

State Treasurer

The Executive Recommendation includes the following adjustments to the Department's 2008 appropriation - (\$169.0)

Ongoing Reductions: Reductions in staff and overhead expenses.

Department of Veterans' Services

The Executive recommends a (\$430,000) General Fund reduction, which includes the following adjustments to the Department's FY 2008 appropriations - (\$430.0)

One-time reductions: vacancy savings occurred during the continued expansion of Veterans' Benefit Counselors, delayed computer replacement at the Arizona State Veterans' Home, and delayed remodeling at the Arizona State Veterans' Home.

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State Agency Spending Reductions
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Department of Water Resources

The Executive recommendation makes an adjustment of (\$1.0 million) to the amount appropriated from the General Fund to the Water Protection Fund. (\$1,000.0)

Department of Weights and Measures

The Executive recommendation reflects a reduction of (\$100,000) to the base operating budget. (\$100.0)

General Fund Total (\$75,068.8)

AGENCY BUDGET SAVINGS

Spending Reductions from Fund Balances

Dollars in Thousands

Fund Name / Agencies Involved	Amount
Arizona Department of Housing Program Fund	\$1,000.0
Arizona Department of Housing	
Attorney General Anti-Racketeering Fund	\$500.0
Attorney General - Department of Law	
Department of Liquor Licenses and Control	
Department of Revenue	
Auto Fingerprint Identification Fund	\$300.0
Department of Public Safety	
Children's Health Insurance Program Fund	\$1,506.2
Arizona Health Care Cost Containment System	
Citizens Clean Election Fund	\$24,000.0
Citizens' Clean Elections Commission	
State Treasurer	
Clean Air In-Lieu Fee Account of the Clean Air Fund	\$5,442.0
Department of Environmental Quality	
Construction Insurance Fund	\$2,000.0
Arizona Department of Administration	
Consultation & Training Fund	\$300.0
Arizona Department of Agriculture	
Arizona Department of Racing	
D.H.S. Internal Services Fund	\$100.0
Department of Health Services	
DHS Substance Abuse Treatment Fund	\$1,000.0
Department of Health Services	
Displaced Pupils Choice Grant Fund	\$2,500.0
Department of Education	
DNA Identification System Fund	\$600.0
Department of Public Safety	
Driving Under Influence Abatement Fund	\$2,175.4
Arizona Criminal Justice Commission	
Department of Public Safety	
Department of Transportation	
Emergency Medical Services Operating Fund	\$5,000.0
Arizona Department of Administration	
Department of Health Services	
Fingerprint Clearance Card Fund	\$250.0
Department of Public Safety	
Game & Fish Watercraft License Fund	\$3,000.0
Arizona Department of Administration	
Arizona Game & Fish Department	

AGENCY BUDGET SAVINGS

Spending Reductions from Fund Balances

Dollars in Thousands

Fund Name / Agencies Involved	Amount
Governor's Livestock/Breeders Award Fund	\$2,000.0
Office of the Governor	
Arizona Department of Racing	
Highway Patrol Fund	\$700.0
Department of Public Safety	
Housing Trust Fund	\$6,500.0
Department of Commerce	
Office of the Governor	
Arizona Department of Housing	
IGA and ISA Fund	\$2,425.2
Department of Health Services	
Indirect Fund	\$4,000.0
Department of Health Services	
Judicial Collection Enhancement Fund	\$3,000.0
Judiciary	
Lottery Fund	\$2,500.0
Department of Commerce	
Department of Gaming	
Department of Health Services	
Arizona State Lottery Commission	
Motor Pool Revolving Fund	\$1,000.0
Arizona Department of Administration	
Motor Vehicle Liability Insurance Enforcement Fund	\$5,400.0
Department of Public Safety	
Department of Transportation	
Department of Weights and Measures	
Off-Highway Vehicle Recreation Fund	\$1,500.0
Arizona Game & Fish Department	
State Parks Board	
Registrar of Contractors Fund	\$816.3
Office of Administrative Hearings	
Registrar of Contractors	
Risk Management Fund	\$2,000.0
Arizona Department of Administration	
Arizona Health Care Cost Containment System	
Attorney General - Department of Law	
Department of Economic Security	
Department of Juvenile Corrections	
State Land Department	
Department of Public Safety	

AGENCY BUDGET SAVINGS

Spending Reductions from Fund Balances

Dollars in Thousands

Fund Name / Agencies Involved	Amount
Spinal and Head Injuries Trust Fund	\$2,000.0
Department of Economic Security	
Department of Health Services	
State Aviation Fund	\$15,000.0
Department of Revenue	
Department of Transportation	
State Lake Improvement Fund	\$6,000.0
State Parks Board	
Supreme Court CJEF Disbursements Fund	\$6,000.0
Judiciary	
Transportation Equipment Revolving Fund	\$2,000.0
Department of Transportation	
Underground Storage Tank Revolving Fund	\$13,419.7
Department of Environmental Quality	
Utility Regulating Revolving Fund	\$1,580.0
Corporation Commission	
Vehicle Inspection & Title Enforcement Fund	\$600.0
Department of Transportation	
All Other Funds < \$100,000	\$103.9
	\$128,218.7

AGENCY BUDGET SAVINGS
Ex-Appropriations of Capital Outlay and Continuing Appropriations
FY 2008

Agency	Project	
Lib & Archives	State Archives and History Building (Laws 2007, Chapter 345)	(\$3,500,000)
Administration	Former Health Laboratory Renovation	(\$1,000,000)
Administration	Prison Cell Doors and Locks	(\$2,000,000)
DPS	Microwave Communications System (Laws 2007, Chapter 345)	<u>(\$500,000)</u>
Total		(\$7,000,000)
Various	Ex-appropriation of Continuing Appropriation Balances	(\$3,318,286)

Most of these Continuing Appropriation items are old projects which have been completed and the appropriation balances have not been cleaned out of the accounting system. The process of cleaning these items out of the accounting system will "free up" General Fund resources as a portion the ending balance will not need to be held in reserve for the remaining expenditure authority.